

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /102 W

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R 152035Z SEP 76

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2357

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY SANTIAGO

AMEMBASSY LIMA

AMEMBASSY ASUNCION

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E.O. 11652: N/A

TAGS: ENRG, PFOR, BL, AR

SUBJ: MARTINEZ DE HOZ VISITS BOLIVIA SIGNS ACCORD

REF: LA PAZ 2440

1. SUMMARY: ARGENTINE MINISTER OF ECONOMY JOSE ALFREDO MARTINEZ DE HOZ, ACCOMPANIED BY AN ECONOMIC DELEGATION, VISITED BOLIVIA FROM SEPTEMBER 10 TO 12 FOR THE PURPOSE OF INCREASING COMMERCIAL INTERCHANGE BETWEEN THE TWO NATIONS. ARGENTINA PROMISED TECHNICAL ASSISTANCE AND AGREED TO NEGOTIATE PURCHASE OF ADDITIONAL FOUR MILLION CUBIC FEET OF GAS PER DAY FROM BOLIVIA. END SUMMARY.

2. ARGENTINE MINISTER OF ECONOMY MARTINEZ DE HOZ ARRIVED IN LA PAZ SEPTEMBER 10 ACCOMPANIED BY SECRE-  
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TARY OF COMMERCE, GUILLERMO BRAVO; PRESIDENT OF THE

CENTRAL BANK, ADOLFO DIAZ; PRESIDENT OF THE NATIONAL BANK, JAUN OCAMPO; THE PRESIDENT OF GAS DEL ESTADO, GABRIEL MOEOLLI; AND THE NATIONAL DIRECTOR OF TREATIES AND NEGOTIATIONS OF THE SECRETARIAT OF FOREIGN TRADE, JOSE MELERO. THE ARGENTINE DELEGATION HAD MEETINGS WITH HIGH LEVEL BOLIVIA OFFICIALS, PARTICULARLY MINISTER OF FINANCE, CARLOS CALVO, AND ALSO HAD A BRIEF MEETING WITH PRESIDENT BANZER. MARTINEZ SAID THAT THE GOA WANTED TO IMPROVE ECONOMIC RELATIONS BETWEEN BOLIVIA AND ARGENTINA WHICH HAD BEEN SOMEWHAT NEGLECTED BY PREVIOUS GOVERNMENTS OF BOTH COUNTRIES. HE ALSO MADE PUBLIC STATEMENTS IN FAVOR OF LATIN AMERICAN INTEGRATION, REFERRING PARTICULARLY TO A REVITALIZATION OF LAFTA WITHOUT IN ANY WAY INTERFERING WITH OTHER ONGOING ECONOMIC INTEGRATION MOVEMENTS. THE ARGENTINE DELEGATION WENT TO SANTA CRUZ ON SEPTEMBER 11 WHERE THE ARGENTINE DELEGATES WERE DECLARED "HUESPEDES ILUSTRES" BY THE CITY OF SANA CRUZ. THE DELEGATION MADE AN AERIAL INSPECTION OF ARGENTINE CONSTRUCTION OF A RAILWAY BETWEEN SANTA CRUZ AND YAPACANI. THEY ALSO FLEW OVER IMPORTANT AGRICULTURAL ZONES IN THE AREA OF SANTA CRUZ.

3. ON SEPTEMBER 12, ACCORDING TO PRESS ACCOUNTS, A LETTER OF UNDERSTANDING WAS SIGNED BY MARTINEZ AND CALVO. THE TWO GOVERNMENTS AGREED TO DO JOINT FEASIBILITY STUDIES FOR IRRIGATION IN THE UPPER RIO GRANDE REGION AND FOR THE USE OF HYDROELECTRIC RESOURCES ON THE PILCOMAYO RIVER THROUGH DAM CONSTRUCTION. THE GOA PROMISED TO PROVIDE BOLIVIA WITH TECHNICAL ASSISTANCE IN AGRO-INDUSTRIES WITH SPECIAL EMPHASIS ON ANIMAL HEALTH, SUPPLY OF LABORATORIES, VACCINATION PROGRAMS, AND CONTROL OF HOOF AND MOUTH DISEASE. AS A COMPLIMENT TO THIS COOPERATION ARGENTINA WOULD SUPPLY AGRICULTURAL MACHINERY AND EQUIPMENT AS WELL AS ASSISTANCE IN THE PRODUCTION OF BEEF. GOA ALSO AGREED IN PRINCIPAL TO BUILD A HIGHWAY BETWEEN BERMEJO AND PADCAYA (140 KM.) AS WELL AS A BRIDGE BETWEEN POCITOS, ARGENTINA AND POCITOS, BOLIVIA, LIMITED OFFICIAL USE

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AND TO CONTINUE WITH THE CONSTRUCTION OF THE SANTA CRUZATRINIDAD RAILWAY. IT WAS ALSO MUTUALLY AGREED THAT BOLIVIA WOULD DOUBLE ITS SALE OF NATURAL GAS TO ARGENTINA TO ABOUT 8 MILLION CUBIC METERS A DAY BEGINNING IN 1980. ARGENTINE AND BOLIVIA TECHNICAL DELEGATIONS WILL BEGIN NEGOTIATING SPECIFICS OF THE SALE LATER THIS MONTH. THE CONTRACT WILL HAVE A LIFE OF 10 YEARS AND ALLOW FOR THE RENEGOTIATION OF GAS

PRICES EVERY SIX MONTHS.

4. THE MUTUN IRON DEPOSIT WAS ALSO DISCUSSED AND ARGENTINA PROMISED TO CONSIDER STUDYING THE PURCHASE OF BOLIVIAN IRON ORE ONCE THE MUTUN FEASIBILITY STUDY IS COMPLETED. ALSO, ARGENTINA AGREED TO LEND ALL ITS SUPPORT TO PUSH FORWARD WITH THE BI-NATIONAL ENTERPRISE ARUILA WHICH WILL PRODUCE PESTICIDES IN ORURO, BOLIVIA. THE JOINT COMPANY, AGUILA, S.A. , HAS BEEN SET UP TO SUPPLY THE ARGENTINE MARKET AS WELL AS THE SIX ANDEAN COUNTRIES. IT WILL PRODUCE MALATHION AND PARATHION BUT SO FAR COLUMBIA, THE MAJOR MARKET, HAS SHOWN SOME RESISTANCE TO BUYING BOLIVIAN MADE PESTICIDES.

5. EMBASSY COMMENTS. (A) SOURCES AT YPFB CONFIRMED THAT AN ARGENTINE DELEGATION WOULD ARRIVE LATER THIS MONTH TO NEGOTIATE A NEW GAS SALES CONTRACT WHICH WOULD DOUBLE THE

PRESENT VOLUME BEGINNING IN 1980. THE PRESENT CONTRACT ALREADY CALLS FOR A SMALL INCREASE IN SALES

WHICH SHOULD BEGIN LATE THIS YEAR BY ADDING SOME ADDITIONAL PUMPING CAPACITY. DURING A PRESS CONFERENCE MARTINEZ MENTIONED THAT THE BOLIVIAN CENTRAL

BANK DEBT TO THE ARGENTINE CENTRAL BANK WAS BEING AMORTIZED BY GAS PAYMENTS BUT THAT IT WAS INSUFFICIENT DUE TO THE SANTA CRUZ-TRINIDAD RAILWAY CONSTRUCTION.

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(B) THE MARTINES DE HOZ VISIT HAD A CORDIAL ATMOSPHERE AND MORE CONCRETE RESULTS THAN THE VISIT OF FORMER ARGENTINE FOREIGN MINISTER QUIJANA (SEE REFTEL) HERE IN MARCH, 1976, A FEW DAYS BEFORE THE CHANGE OF GOVERNMENT IN ARGENTINA. THIS APPEARS TO REFLECT A MORE FORTHCOMING ATTITUDE ON BOTH SIDES WITH REGARD TO STRENGTHENING THEIR OVERALL RELATIONS. STEDMAN

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